

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11
EB-08 OMB-01 TRSE-00 ACDA-12 /087 W
-----030850 231858Z /40

P 231620Z JUN 78

FM AMEMBASSY REYKJAVIK
TO SECSTATE WASHDC PRIORITY 8503
INFO COMICEDEFOR KEFLAVIK IC PRIORITY
AMEMBASSY COPENHAGEN
AMEMBASSY OSLO
AMEMBASSY STOCKHOLM
CINCLANT NORFOLK VA
CINCEUR VAIHINGEN GE

C O N F I D E N T I A L SECTION 1 OF 2 REYKJAVIK 0830

E.O. 11652: GDS
TAGS: PINT, IC
SUBJECT: ELECTION WATCH: THE CAMPAIGN ENDS

REF: A. REYKJAVIK 0808 DTG 201222Z JUNE 78; B. REYKJAVIK 0746
DTG 021619Z JUN 78); C. REYKJAVIK 0810 DTG 201442Z JUN 78
D. REYKJAVIK 0821 DTG 220958Z JUN 78 (NOTAL)

SUMMARY: MOOD OF ICELANDIC VOTERS REMAINS UNPREDICTABLE.
AFTER FINAL TELEVISION APPEARANCE BY PARTY LEADERS AND SERIES
OF RALLIES IN DOWNTOWN REYKJAVIK YESTERDAY, NO ONE HAS COME UP
WITH BOMBSHELL ISSUE THAT COULD HAVE IMPROVED CHANCES OF ONE
PARTY OVER ANOTHER. MAIN ISSUE CONTINUES TO BE COUNTRY'S
SEVERE ECONOMIC PROBLEMS. OTHER POTENTIAL ISSUES,
INCLUDING QUESTION OF US-MANNED NATO BASE, RECEIVED RELATIVELY
LITTLE OR NO ATTENTION. OUTCOME WILL HINGE ON GOVERNMENT
PARTIES' ABILITY TO RECOVER FROM SHARP LOSSES SUFFERED
IN LAST MONTH'S MUNICIPAL ELECTIONS ALTHOUGH THERE IS
LITTLE DOUBT THAT THOSE PARTIES WILL LOSE SEATS TO
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OPOSSIIION. HOWEVER EVEN AFTER BALLOTS COUNTED, PROBLEMS
OF FORMING NEW COALITION MAY MEAN THAT IT
COULD BE SOME TIME BEFORE NEXT GOVERNMENT IS INSTALLED.
END SUMMARY.

1. ALTHOUGH CAMPAIGN, WHICH ONLY BEGAN TO GENERATE
ENTHUSIASM OVER LAST TEN DAYS, HAS BEEN FREE OF SUR-

PRISES. OBSERVERS FIND IT DIFFICULT TO ASSESS EXTENT TO WHICH CHANGES HAVE OCCURRED IN POPULAR MOOD SINCE VOTERS WENT TO POLLS IN MUNICIPAL ELECTIONS IN MAY. MOST VIGOROUS CAMPAIGNS HAVE BEEN WAGED BY INDEPENDENCE PARTY (IP) AND PEOPLE'S ALLIANCE (PA). SOCIAL DEMOCRATS (SDP) HAVE METHODICALLY CONDUCTED LOW-KEY CAMPAIGN AT LOCAL LEVEL IN EACH OF NATION'S EIGHT CONSTITUENCIES. MOST DIFFICULT WAS ENCOUNTERED BY PROGRESSIVE PARTY (PP) WHICH, ON DEFENSIVE FROM BOTH LEFT AND RIGHT, WAS ALMOST INVISIBLE; TOWARD THE END, THE PP TRIED TO SOLICIT VOTES MORE BY ARGUING NEED TO PRESERVE CURRENT BALANCE AMONG PARTIES THAN ON BASIS OF PP PROGRAM.

2. CAMPAIGN DID NOTHING TO REVERSE PARTIES' DRIFT, MANIFESTED IN MUNICIPAL ELECTIONS, TOWARD A LEFT-RIGHT POLARIZATION. SDP ATTACKED PA'S COMMUNIST TIES WHILE IP WARNED VOTERS NOT TO MAKE ABRUPT TURN TO LEFT. IN RESPONSE, MEMBERS OF PA MAINTAINED THAT THEY WERE ONLY ALTERNATIVE TO CONTINUATION OF PRESENT RIGHT-OF-CENTER GOVERNMENT. PARTY LEADERS ARGUED THESE POSITIONS IN FINAL TELEVISION APPEARANCE JUNE 21 WHICH AGAIN EMPHASIZED OVERRIDING IMPORTANCE OF ECONOMIC MATTERS IN ELECTION DEBATE.

3. STATE OF ECONOMY, CHIEFLY INFLATION, WAS ICELAND'S CONFIDENTIAL

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MAJOR PREOCCUPATION THROUGHOUT CAMPAIGN AND WAS ONLY ISSUE THAT PROVIDED ELECTORATE WITH OPPORTUNITY TO SEE IP AND PA LEADERS IN RELATIVELY ANIMATED DEBATE. AS NOTED REF A, IP RAISED SUBJECT OF US-MANNED NATO BASE SAYING THAT IT WAS ONLY PARTY FIRMLY SUPPORTING CONTINUED US PRESENCE. THIS RESULTED IN OTHER THREE MAJOR PARTIES RESTATING THEIR TRADITIONAL POSITIONS ON SUBJECT (REFS C AND D). OTHER POTENTIAL ISSUES, SUCH AS POLITICAL CORRUPTION, RESPONSIBILITY FOR THE PROBLEM-PLAGUED KRAFLA POWER PROJECT, AND MATTERS RELATED TO ELECTORAL AND TAX REFORM, WERE FLEETINGLY, IF AT ALL, TOUCHED UPON.

4. MAIN QUESTION NOW IS WHETHER ELECTORATE HAS BEEN SHOCKED ENOUGH BY RESULTS OF MUNICIPAL ELECTIONS TO RETURN TO TRADITIONAL VOTING PATTERS OR WHETHER CONTINUED VOTER RESENTMENT OF PRESENT COALITION'S POLICIES WILL YIELD SIMILAR RESULT IN NATIONAL ELECTIONS. IP WORKERS BELIEVE THEY HAVE BEE ABLE TO RECAPTURE MANY IP DEFECTORS AND, WHILE CERTAINLY NOT OVERCONFIDENT, SOME INDEPENDENTS HAVE PRIVATELY SUGGESTED THAT BY COMING OUT OF MUNICIPAL CONTESTS AS "UNDERDOGS", IP MAY HAVE BETTER CHANCE OF RECOVERY THAN IF IT HAD TO FACE ELECTORATE

AS NATION'S UNQUESTIONABLY STRONGEST PARTY. NEWSPAPER
POLLS DO POINT TO IP WINNING SHARE OF POPULAR VOTE IN
KEEPING WITH TRADITIONAL PATTERNS (I.E., SOMEWHAT UNDER
40 PERCENT) WITH PARTY LOSING SOME ALTHING SEATS BUT
HOLDING LOSSES TO LEVEL LESS SEVERE THAN THAT PREDICTED
FOR COALITION PARTNER PP. BIGGEST WINNER, ACCORDING TO
ALL INDICATIONS, WOULD BE SDP. WHILE THESE POLLS ARE
HIGHLY UNSCIENTIFIC, IT IS NOTEWORTHY THAT THEY SHOW CON-
TINUATION OF TREND AWAY FROM PROGRESSIVES AND TOWARD SOCIAL
DEMOCRATS THAT WAS DEMONSTRATED IN MUNICIPAL ELECTION RESULTS.

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EB-08 OMB-01 TRSE-00 ACDA-12 /087 W
-----030852 231859Z /40

P 231620Z JUN 78
FM AMEMBASSY REYKJAVIK
TO SECSTATE WASHDC PRIORITY 8504
INFO COMICEDEFOR KEFLAVIK IC PRIORITY
AMEMBASSY COPENHAGEN
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C O N F I D E N T I A L SECTION 2 OF 2 REYKJAVIK 0830

5. AFTER THE ELECTIONS, THE VARIOUS PARTIES WILL ENTER
INTO NEGOTIATIONS TO FORM NEW COALITION GOVERNMENT SINCE
HISTORICALLY NO ONE PARTY WINS A MAJORITY OF SEATS IN
THE ALTHING. GOVERNMENT PARTIES, WHICH ARE EXPECTED TO
LOSE AT LEAST 4 SEATS, COULD REFORM THEIR COALITION, BUT
THIS COURSE OF ACTION MAY NOT BE FEASIBLE IN LIGHT OF
STRONG INTRAPARTY OPPOSITION WITHIN BOTH IP AND PP TO
CONTINUED COOPERATION. HOWEVER, EVEN IF VOTERS CHOOSE TO
REPUDIATE PRESENT TWO PARTY COALITION, BOTH IP AND PP
MAY BE EXPECTED TO WIN SUFFICIENT ALTHING SEATS TO
NECESSITATE INCLUSION OF AT LEAST ONE OF THE TWO IN
NEXT GOVERNMENT.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ELECTION CAMPAIGNS, ELECTIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 23 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978REYKJA00830
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780262-0937
Format: TEL
From: REYKJAVIK
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780625/aaaaavrk.tel
Line Count: 168
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 6d76a182-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 REYKJAVIK 808, 78 REYKJAVIK 746
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 04 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2225955
Secure: OPEN
Status: NATIVE
Subject: ELECTION WATCH: THE CAMPAIGN ENDS
TAGS: PINT, IC
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/6d76a182-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014